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Established 1854

THE FINANCIAL SITUATION.

The heaviness that has been displayed in the stock market toward the latter part of last week on the face of things due to the sympathetic influence upon prices generally of a particularly sharp drop in the quotation for the American Smelting and Refining common shares. Movements in Smelters stock are usually accompanied to a greater or less extent by similar fluctuations in Amalgamated Copper and in the "metal shares" as a whole, and when therefore a decline set in in such a prominent quarter of the market as this the market as a unit was unfavorably affected by the occurrence. The American Smelting and Refining stock have been under pressure for several weeks back, first, in the estimation of the speculative community, on account of the decline in the price of silver, which while it does not alter the rate of compensation paid to the smelting companies for the service performed by them yet nevertheless serves to curtail moderately the amount of silver production and so lessens the profits of the smelting organizations. There was also some discussion regarding the possibility of an increased duty on lead which might injure smelting interests, but the real reason for the fall in smelters stock was definite talk of new competition for the company's mills. It has been known for some time in trade circles that a dispute was on between the American Smelting and Refining Company and several large Western mining corporations over the figures at which smelting contracts should be settled for the coming year. This matter has not yet been satisfactorily adjusted, and so ideas have been entertained by some of the one time customers of the American Smelting and Refining Company of putting up smelting works of their own. These plans have, it seems, gone further than mere talk. On the other hand it would be obviously foolish for any one to assert that this was a sufficient reason for disposing of American Smelting and Refining common stock, at least at the current level of prices. The stock in question has always been a rather uncertain quantity in Wall Street because the policy of the American Smelting and Refining management has been to keep the public pretty much in ignorance of the stock's true value. It may be worth less and it may be worth a good deal more than its present price. The stock is therefore really a side issue, and it will probably be found that after a certain point in the downward movement in the price quotation for it is reached the recession will no longer unfavorably affect other securities. Indeed it may prove to be the case that the low point of the recession has already been reached. The real reason for the general weakness shown by the market on account of this affair is that the market is or at least has been in some degree top heavy. Its foundation is solid; its prospects are good. It is even more so at the present moment than has previously been the case that speculative accounts in Wall Street commission houses are not extended and that these houses as a rule are in an extraordinarily fortified condition for the time of the year. Nevertheless, it is always found that after any long period of advance in security prices the proportion of weak buyers of stocks is larger than when the upward movement started. In fact the vulnerability of the market to attack increases as a rising movement is prolonged, and such a reaction as occurred last week or such as may even be further experienced between now and the end of the year belongs to the ordinary course of the financial market.

It is well remembered too that "holiday markets" are apt to be dull and at times weak. It is the off period of the business year, the time for shutting down of factories, for taking of stock, for a balancing of accounts and a liquidation of liabilities. Therefore unless the market has been depressed for a long time previously the end of the year settlements are often accompanied with declining movements in prices except on occasions where a demand for investment securities anticipatory of the release of money after January 1 causes a rise in these quarters. Such a rise, it is needless to say, must usually occur when the market in week immediately preceding has not been characterized by a buoyant speculation for the year. Around the end of the year, also, money rates usually advance for obvious reasons, and this year has proved no exception to the rule, save that the rise has been but trivial and actually deserving of notice only because the price of money heretofore has been extraordinarily low. When speculators who have been getting money for a long time at a daily call rate of between 1 and 1 1/2 per cent. are asked to pay 4 per cent. for it their talk about "money tightness," while natural enough, is of course quite unjustified. It is doubtful if this year there would have been any rise in money rates at all if certain special forces had not contributed to that end. Gold exports have been caused on a moderate scale by the continued absorption of money by the Bank of France in preparation for the great Russian loan, the date of which is now set for January 20. The bankers of the country, that is to say, in practice, the bankers of this city, will be compelled in the course of the present month to pay into the local Sub-Treasury over \$30,000,000, representing the proceeds of the recent Panama Canal loan, and part of the money has already been covered into the Government's vaults. There have been heavy subscriptions by our bankers to the new Sao Paulo coffee loan. Payments have to be made upon this as also upon the recent loans of the city and State of New York, while the trust companies must within the next six weeks add to their reserves over \$40,000,000 in order to comply with the full requirements of the new State law. Were the present time when business and speculation over the country were being carried on at a very active pace a money "squeeze" of no mean proportions might indeed be experienced "over the end" of the year; but the fact that money is lying idle in large amounts not only in this city but over the country as a whole and upon the continent of Europe. Even such a small advance in the price of funds as was seen last week caused an immediate "pointing" of money here from every financial center, with the immediate result that sterling exchange rates declined and gold exports ceased; and the true state of the money situation may best be ascertained from the fact that time money can be obtained for a year's use on ordinary market collateral at 3 1/2 per cent. and that all classes of time funds are still abnormally low priced. Where brokers can carry stocks with the ease that these rates permit they are not apt to discourage buying by customers who can protect their purchases with the usual amount of margin, and throughout the decline in the market last week scale buying of stocks went on by financial interests of the first rank. It deserves to be said, however, that one factor that has operated for some time to hold the market in check if not to bring

about an actual fall in values has been the openly expressed desire on the part of many of these high financial interests to get back if possible the large quantity of stocks previously sold by them at lower quotations than those which open now prevail. Feelings and desires of this sort are but human, and Wall Street is a very human place; but whether there is enough substance in the factors whose work was instrumental last week in bringing about a decline in prices to reduce prices to a materially lower level still is, on the other hand, decidedly open to question. So far as serious consideration is merited by any of the "reasons" assigned for the weakness in values last week, apart from those having reference merely to the technical conditions of over-trading in the market, the only one of importance was the alleged feeling of disappointment over the failure of business to pick up more rapidly than it has since election day; but such disappointment is expressed more by Wall Street speculators than by any one else and is not entertained at all by leading business men. It is yet to be proved that the slackening of business noticed in the last three or four weeks is more than is normal for the time of the year.

With direct relation to the stock market it must be observed that one of its notable features last week was the strength of many of the so-called minor issues and stocks. It is quite manifest that the buying of at least some of these low priced stocks has been for sounder motives and by more powerful people than is popularly supposed. As regards more general matters it may be conceded that current discussion concerning the revision of the tariff has been a restraint upon business operations or perhaps more particularly upon the making of contracts for future business operations. People in the woolen industry, for instance, do not want to go ahead in any rushing way with their plans for next year until they have some clearer light than they now have as to just what the new tariff rates on wool are to be. The same conditions are felt in many other lines of trade even if in a less direct and important way than they have been in the similar times before. It should be said at this time too that although no fault is to be found with the utterances of the President-elect in the tariff question, these having been largely in the nature of repeated assurances regarding a position long since emphatically taken, some criticism has been excited in the financial district concerning Mr. Taft's various remarks upon the subject of the proper method of enforcement or amendment of the now practically inoperative Sherman anti-trust law. An opinion frequently heard expressed in banking circles is that the precise reasons do not appear why Mr. Taft should find it necessary to discuss this matter so often and at such great length before the time of his taking office and at miscellaneous gatherings where his words are so palpably open to misconception and misreporting, and that, moreover, Mr. Taft himself does not seem to be aware of just what the proper policy regarding the Sherman law ought to be. An impression of rashness and vagueness of view was at any rate left upon the minds of many of those whose good fortune it was to hear all of Mr. Taft's speeches in public on his recent visit to this city.

FINANCIAL AND COMMERCIAL.

RAILROAD AND OTHER BONDS.

Sales, High, Low, Close, Net, High, Low, Close, Net.

10 Erie pr 100 98 97 96 95 94 93 92 91 90 89 88 87 86 85 84 83 82 81 80 79 78 77 76 75 74 73 72 71 70 69 68 67 66 65 64 63 62 61 60 59 58 57 56 55 54 53 52 51 50 49 48 47 46 45 44 43 42 41 40 39 38 37 36 35 34 33 32 31 30 29 28 27 26 25 24 23 22 21 20 19 18 17 16 15 14 13 12 11 10 9 8 7 6 5 4 3 2 1 0

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